

3. Related Plans, Agreements, and Policies

Anacortes' program to deliver water to its customers has been developed over many years in the context of various agreements, plans, and policies that address water supply and land use in the western portion of Skagit County and the northern part of Whidbey Island. This chapter describes key agreements and plans and summarizes Anacortes' water service policies.

The chapter is divided into five sections that address the following topics:

- Water supply
- Wholesale customers
- Retail customers
- Coordinated Water System Plan
- City of Anacortes Municipal Code

Table 3-1 lists the related plans and agreements that were reviewed for consistency with this Water System Plan. These plans and agreements, along with other policies, are discussed in the sections below.

Table 3-1 Reviewed Plans and Agreements

CATEGORY	DOCUMENT	DATE
Water Supply	1996 Memorandum of Agreement	1996
	Anacortes and Skagit PUD Joint Operating Agreement	1993
	Franchise Agreement with Skagit County	2010
Wholesale Customers ¹	Water Supply Agreement with Oak Harbor	2008
	City of Oak Harbor Water System Plan	2003
	Water Supply Agreement with Skagit PUD	2008
	PUD No.1 of Skagit County, Draft Water System Plan	2007
	Water Supply Agreement with La Conner	2008
	Town of La Conner, Water System Plan	2001
	Water Supply Agreement with Swinomish	2008
	Water Supply Agreement with Del Mar	2009
Retail Customers	Water Supply Agreement with Shell ²	2008
	Water Supply Agreement with Tesoro ²	2008
	City of Anacortes, Comprehensive Plan	2007
	Skagit County, Comprehensive Plan	2007
Coordinated Water System Plan	Skagit County, Coordinated Water System Plan – Regional Supplement	2000
City of Anacortes Municipal Code	Title 13 Public Services	n/a

1. Deception Shores is not included in this table since Anacortes does not have a formal water supply agreement with Deception Shores, nor does Deception Shores have a water system plan.

2. The Shell and Tesoro oil refineries were, until recently, classified as public water systems by DOH. As such, Anacortes considered the refineries wholesale customers. Due to the change in status of the refineries with DOH, the refineries are more accurately described as large industrial retail customers.

3.1. Water Supply

This section describes two documents that shape the way Anacortes' water supply is managed.

3.1.1. 1996 Memorandum of Agreement

The sole source of water for the Anacortes water supply system is the Skagit River. In 1996 an agreement was reached between several important stakeholders that limited the use of Skagit River water. This agreement was intended to shape water use policy over a 50-year period. The agreement is titled the *1996 Memorandum of Agreement Regarding Utilization of Skagit River Basin Water Resources for Instream and Out of Stream Purposes*, and is referred to as the *1996 Memorandum of Agreement (MOA)*.

According to the MOA, its purpose is to do the following:

- Ensure the establishment of instream flows to protect fisheries resources, and the mitigation of any interference with such established flows.
- Provide a mechanism for the coordinated water management of water resources...to meet the out-of-stream needs of the Swinomish Tribal Community, Upper Skagit River Tribe, Sauk-Suiattle Indian tribes, local governments, and public water purveyors in Skagit County.
- Avoid litigation or adjudication between parties to the agreement.
- Help expedite the Department of Ecology's water right decision-making within the Coordinated Water System Plan service area.
- Modify the Skagit County Coordinated Water System Plan to conform to the agreement and incorporate the agreement into Anacortes' and the Public Utility District No. 1 of Skagit County's Joint Operating Agreement.

The MOA was signed by eight parties, which included Anacortes, Skagit PUD, Skagit County, Washington State Department of Ecology, Washington State Department of Fish and Wildlife, the Swinomish Indian Tribal Community, the Upper Skagit Indian Tribe, and the Sauk-Suiattle Indian Tribes. Specific water rights for Anacortes and the Skagit PUD were documented as part of the agreement, and were set forth as indicated in Table 3-2. The MOA is provided in Appendix 3-1.

Table 3-2 Water Rights as Specified in the 1996 Memorandum of Agreement

CITY OF ANACORTES ²		
WATER RIGHTS	CUBIC FEET PER SECOND (CFS)	MILLION GALLONS PER DAY (MGD)
Not subject to (Lower Skagit) instream flows	85	54.94
Subject to (Lower Skagit) instream flows	32.30	20.88
SKAGIT PUD		
WATER RIGHTS	CUBIC FEET PER SECOND (CFS)	MILLION GALLONS PER DAY (MGD)
Not subject to established Lower Skagit instream flows but subject to established Cultus Mountain instream flows	31.69	20.48
Not subject to established Lower Skagit instream flows	42.59	27.52
Pending and new water rights subject to both Lower Skagit and Cultus Mountain established instream flows	39.81 ¹	25.74 ¹

1. Maximum appropriation.

2. Per Section 7.3, Anacortes also has a small water right associated with Lake Campbell, which is not addressed by the MOA.

This Water System Plan acknowledges the agreements documented in the MOA and is consistent with the intent and arrangements made in that accord.

3.1.2. Anacortes and Skagit PUD Joint Operating Agreement

Anacortes and the Skagit PUD are the entities responsible for serving growth in the County's urban areas. Anacortes and the Skagit PUD have entered into a joint operating agreement (JOA) to coordinate the operation and maintenance of infrastructure, eliminate duplicate responsibilities, and develop shared regional water supply facilities. According to the agreement, the specific intent of the contract is to "make provisions for a standardized method to expand the Skagit Regional Water Supply System to meet the public water supply needs, and to establish a basis for agreement between Anacortes and the Skagit PUD for financing, ownership, construction and operation of new joint facilities required for the Skagit Regional Water Supply System".

Under terms of the agreement, several items are specified, such as connections to public water systems, supply of water, capacity rights, fees, administrative provisions, and other matters affecting the rights and responsibilities of both parties' water supply systems. This Water System Plan acknowledges the agreements documented in the JOA and is consistent with the intent and arrangements made in that accord. The JOA is provided in Appendix 3-2.

3.1.3. Franchise Agreement with Skagit County

Anacortes' owns water system facilities outside the City limits in unincorporated Skagit County. Anacortes and Skagit County have entered into a franchise agreement which sets forth the terms and conditions of the grant of rights, privileges, and authority for Anacortes to install, construct, operate, repair, relocate, maintain, and remove those facilities. The facilities include

the intake system and treatment plant on the Skagit River, transmission lines to and on Fidalgo Island, as well as distribution lines on Fidalgo Island. The franchise agreement is provided in Appendix 3-7.

3.2. Wholesale Customer Agreements and Plans

Anacortes wholesales water to six public water systems: the City of Oak Harbor, Skagit PUD, the Town of La Conner, the Swinomish Tribal Community, Del Mar Community Inc., and Deception Shores Water Association. Supply agreements with these wholesale customers provide details about the quantity of water, points of delivery, water quality, rates and charges, and other subjects. The wholesale supply agreements for the wholesale customers are discussed below. When applicable, a brief discussion is also included about the wholesale customer's water system plan. The Anacortes Water System Plan is consistent with information contained in these documents. Copies of the wholesale agreements are provided in Appendix 3-3.

3.2.1. Oak Harbor

Anacortes has a water supply agreement with the City of Oak Harbor. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to Oak Harbor is 1,000 million gallons. The agreement allows for a total of two approved metered service connections located at Deception Pass and Sharpe's Corner. Water pressure is delivered at 120 pounds per square inch (psi).

Oak Harbor's 2003 Water System Plan states that Oak Harbor purchases approximately 95% of its water from Anacortes. The remaining 5% is drawn from three groundwater wells. According to the Plan, the wells are "exercised" monthly, but are not relied upon for normal operation. Oak Harbor's Water System Plan includes multiple references to Anacortes in terms of the supply agreement, demands, and interfacing infrastructure. The Anacortes Water System Plan is consistent with information contained in the City of Oak Harbor Water System Plan.

The demand forecast developed for Oak Harbor as part of this Water System Plan is consistent with the demand forecast documented in Oak Harbor's Water System Plan, which includes a demand forecast built out to 2023. Growth past 2023 was extrapolated based on the system growth rate calculated from values taken from the Oak Harbor Water System Plan.

3.2.2. Skagit PUD

Anacortes has a water supply agreement with the Skagit PUD. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to the Skagit

PUD is 485 million gallons. The Skagit PUD expects to decrease their purchases from Anacortes to 260 MG beginning in 2011 due to changes in their system.

The agreement allows for 23 approved metered service connections at the following locations: 14423 Riverbend Road, 17098 Bennett Road, 15379 State Route 536, 14281 State Route 20, 15435 Deception Road, 6222 State Route 20, Thompson Road, 7427 State Route 20, Satterlee Road, 6222 State Route 20 Fireline, 10859 Josh Green Lane, Similk Bay Road, and 8800 Stevenson Lane. Note that some locations have multiple connections. Water pressure is dependent on the service connection location.

The Skagit PUD recently adopted its 2007 Water System Plan. The plan identifies the Cultus Mountain watershed as the principal source of Skagit PUD water. Water is collected from four streams in the Cultus Mountains: Gilligan Creek, Salmon Creek, Turner Creek, and Mundt Creek. The water is then transported to an impoundment structure called Judy Reservoir. In addition, the Skagit PUD has recently built a new pump station and pipeline from the Skagit River that will supply water. To supplement these sources, the Skagit PUD purchases water from Anacortes. Based on information contained in the Skagit PUD's Water System Plan, water obtained from Anacortes constituted approximately 5% to 14% of the total water used by the Skagit PUD in 2000 through 2006. Because of the purchasing arrangement and joint operating agreement with Anacortes, the Skagit PUD's Water System Plan includes multiple references to Anacortes in terms of the supply agreement, demands, and interfacing infrastructure. The Anacortes Water System Plan is consistent with information contained in all of these documents.

The demand forecast developed for the Skagit PUD as part this Water System Plan is based on discussions with Skagit PUD representatives and on values contained in the Planning Data and Water Demand Forecasting chapter of the Skagit PUD Water System Plan. The demands planned for the Skagit PUD begin with the new anticipated contract amount of 260 MG for 2011 and then increase by the system-wide demand annual growth rates from the Skagit PUD's Water System Plan.

3.2.3. La Conner

Anacortes has a water supply agreement with the Town of La Conner. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to La Conner is 162 million gallons. The agreement allows for a total of two approved metered service connections located at La Conner Whitney Road and State Route 20. Water pressure is delivered at 120 psi.

La Conner's 2001 Comprehensive Water System Plan states that La Conner purchases all of its water from Anacortes and has multiple references to Anacortes in terms of the supply agreement, demands, and interfacing infrastructure. The Anacortes Water System Plan is consistent with information contained in La Conner's 2001 Water System Plan. La Conner is in the process of updating its water system; however, the updated plan was not available for review or comparison with the Anacortes Water System Plan. Note that the demand forecast

from La Connor's 2001 Water System Plan was not used for the Anacortes Water System Plan because that demand forecast was higher than Anacortes' actual sales to La Conner.

3.2.4. Swinomish Tribal Community

Anacortes has a water supply agreement with the Swinomish Tribal Community. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to the Swinomish Tribal Community is 42 million gallons. The agreement allows for a total of five approved metered service connections. Four are located at 12885 Casino Drive and one is located at the intersection of Reservation Road/Stevenson Road. Water pressure is delivered at 120 psi.

3.2.5. Del Mar Community Service Inc.

Anacortes has a water supply agreement with Del Mar Community Service Inc. Previously, Del Mar obtained water from both its own wells and from Anacortes. Del Mar recently converted to using exclusively water from Anacortes. A new agreement recognizing this change took effect on April 6, 2009 and will remain in "full force and effect" for a period of 20 years (April 6, 2029) from the date of its execution. Once annually either party can request an amendment to or a renegotiation of the agreement. The agreement stipulates that the committed water volume to be supplied by Anacortes to Del Mar is 150,000 gallons daily maximum, not to exceed 50 million gallons per year. The agreement allows for one approved metered service connection located at Marine Drive. Water pressure is "as mutually agreed".

3.2.6. Deception Shores Water Association

Anacortes provides water to Deception Shores Water Association however Anacortes does not have formal water supply agreement with Deception Shores. Deception Shores is small, partially-developed planned community with 27 lots. It is considered a Group B water system by DOH and currently has only two connections.

3.3. Retail Customers

Anacortes retails water to commercial, industrial, and residential customers in the City of Anacortes and in the surrounding areas of Skagit County. As mentioned in Chapter 2 of this plan, Anacortes has historically considered the Shell and Tesoro oil refineries to be wholesale customers. This was due in part to the Washington State Department of Health classification of the refineries as public water systems. That classification has recently changed. The refineries are now more accurately described as large industrial retail customers. For this reason, the refineries have been included in the retail service section of this document. This change in descriptive terms from "wholesale" to "retail" in this water system plan does not alter arrangements or agreements made between Anacortes and the refineries. Copies of the water supply agreements are provided in Appendix 3-4.

The 2003 Municipal Water Law requires that water system planning documents be consistent with adopted local comprehensive plans and development regulations. Therefore, comprehensive plans for Anacortes and Skagit County were reviewed to verify consistency. This Water System Plan is consistent with information contained in the comprehensive plans of these jurisdictions. In addition, Anacortes is required to submit a Water System Plan Consistency Statement Checklist to each local planning jurisdiction to which it provides retail service. These checklists are provided in Appendix 1-1.

3.3.1. Shell Refinery

Anacortes has a water supply agreement with the Shell refinery that specifies the details of Anacortes' supplying of water to Shell. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to Shell is 2,860 million gallons. The agreement allows for six approved metered service connections located at North Texas Road. Water pressure is delivered at 90 psi.

The demand forecast developed for Shell as part this Water System Plan was based on discussions with Shell representatives about the company's expectations for future demand and potential growth as it relates to water consumption. Shell representatives requested that Anacortes plan to provide them with 2,482 MG (or 6.8 mgd) of water through the end of the planning period.

3.3.2. Tesoro Refinery

Anacortes has a water supply agreement with the Tesoro refinery that specifies the details of Anacortes' supplying of water to Tesoro. The agreement took effect on January 1, 2008. The contract states that it will remain in "full force and effect" until December 31, 2027 and that once annually either party can request an amendment to or a renegotiation of the agreement. Anacortes typically renegotiates this agreement every three years and updates the committed annual water volume during that renegotiation. The current agreement stipulates that the committed annual water volume to be supplied by Anacortes to Tesoro is 2,450 million gallons. The agreement allows for one approved metered service connection located at Texas Road. Water pressure is delivered at 90 psi.

The demand forecast developed for Tesoro as part this Water System Plan was based on discussions with Tesoro representatives about the company's expectations for future demand and potential growth as it relates to water consumption. Based on those discussions, it was decided to use the quantity stipulated in the 2005-2007 water supply agreement, which is 2,235 MG or 6.12 mgd, through the end of the planning period.

3.3.3. Anacortes Comprehensive Plan

The Anacortes Comprehensive Plan provides general policy guidance for growth and development in the City of Anacortes. The Comprehensive Plan identifies the boundaries of

Anacortes' urban growth area and includes zoning information. That zoning information is shown in Figure 3-1.

The Comprehensive Plan also specifies city-wide policies and goals related to development. Policy D associated with Goal #5, Economic Development, describes the priorities that Anacortes' Water System Plan should have regarding water management. The policy states that "[w]ater conservation and water recycling shall be high priorities in the City's Water System Plan."

The Anacortes Water System Plan is consistent with information contained in the Anacortes Comprehensive Plan. The Water System Plan reflects the urban growth area boundaries and zoning information contained in the Comprehensive Plan, and documents Anacortes' water conservation program.

3.3.4. Skagit County Comprehensive Plan

There are three topics where the Skagit County Comprehensive Plan and the Anacortes' Water System Plan are connected: (1) demographics, (2) land use, and (3) water-related policies.

Chapter 11, Economic Development Element of the Comprehensive Plan, includes population projections for 2025 for various areas in Skagit County. The Comprehensive Plan uses an annual growth rate of 1% for Anacortes, which appears to be based on data through 2003. For Anacortes' Water System Plan, the annual growth rate for population (used in the demand forecast) is 2%, which is based on Washington State Office of Financial Management data from 2005 to 2007. While the growth rates differ in the two documents, the growth rate used in Anacortes' Water System Plan is appropriate because it is based on a more recent data set. The "Profile" for Chapter 11 of the Comprehensive Plan (which is appended to that chapter and contains the population information) is provided in Appendix 3-5.

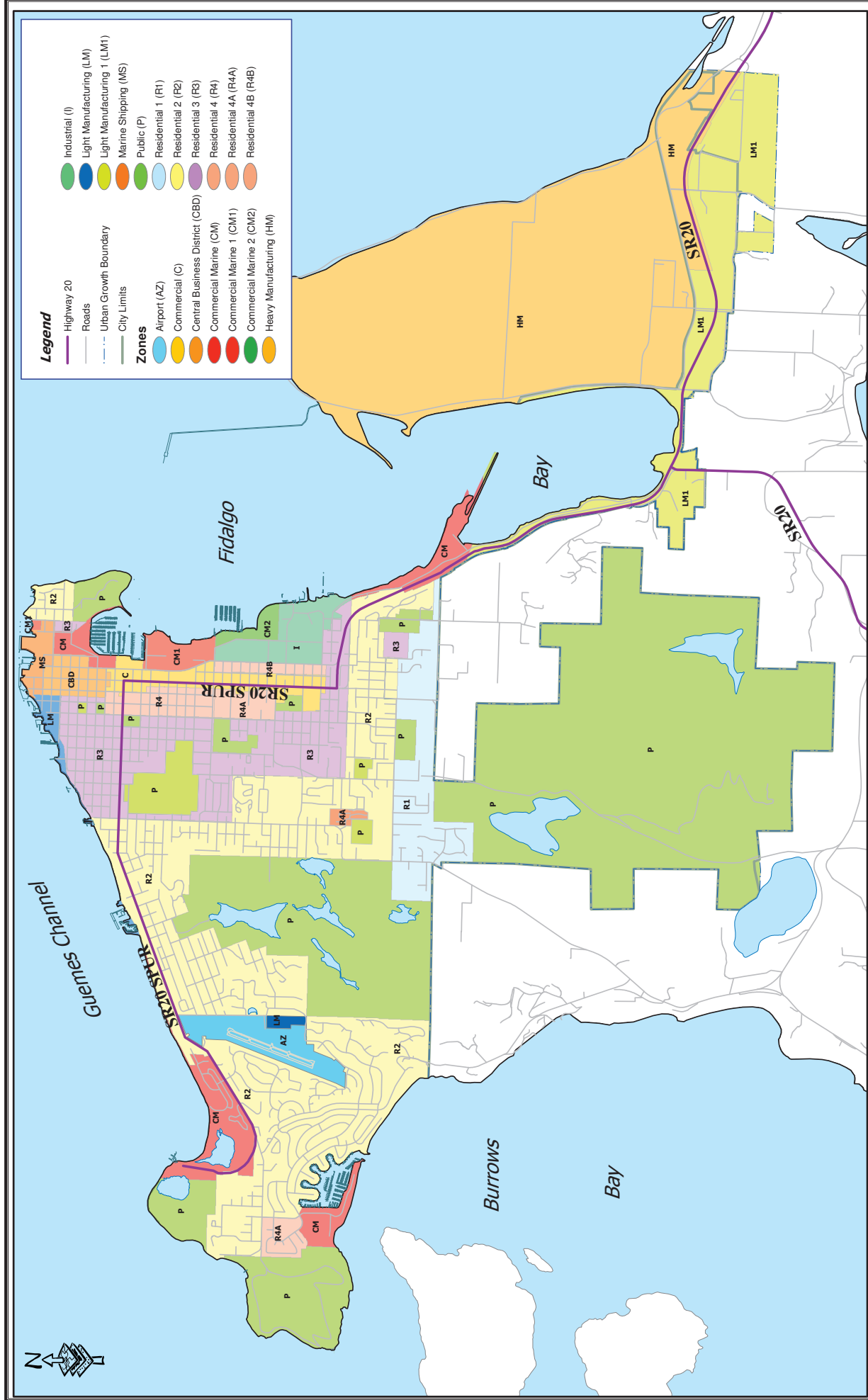
The Comprehensive Plan contains land use information as shown in Figure 3-2. That land use information is incorporated into this Water System Plan by reference.

The Comprehensive Plan contains the water-related policies described below, which are consistent with this Water System Plan.

9A-8.1 Cooperation with water districts and other water providers shall be extended to support them in their responsibility to provide a reliable service to assure an adequate quality and quantity of potable water and high quality water supply within their service area.

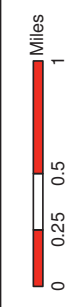
9A-8.2 Water supply infrastructure expansion shall be designed to meet local needs and urban or rural levels of service standards, and comply with this Comprehensive Plan's land use densities.

(a) Urban Water Service shall mean service provided by a water system(s) that has been designed to provide service throughout the designated urban growth area. The water service shall be designed to meet the water supply needs of the residential, commercial, industrial, and other water needs as defined by the Skagit County or City Comprehensive Plan, the Coordinated Water System Plan, and the designated water utility's Water System Plan.

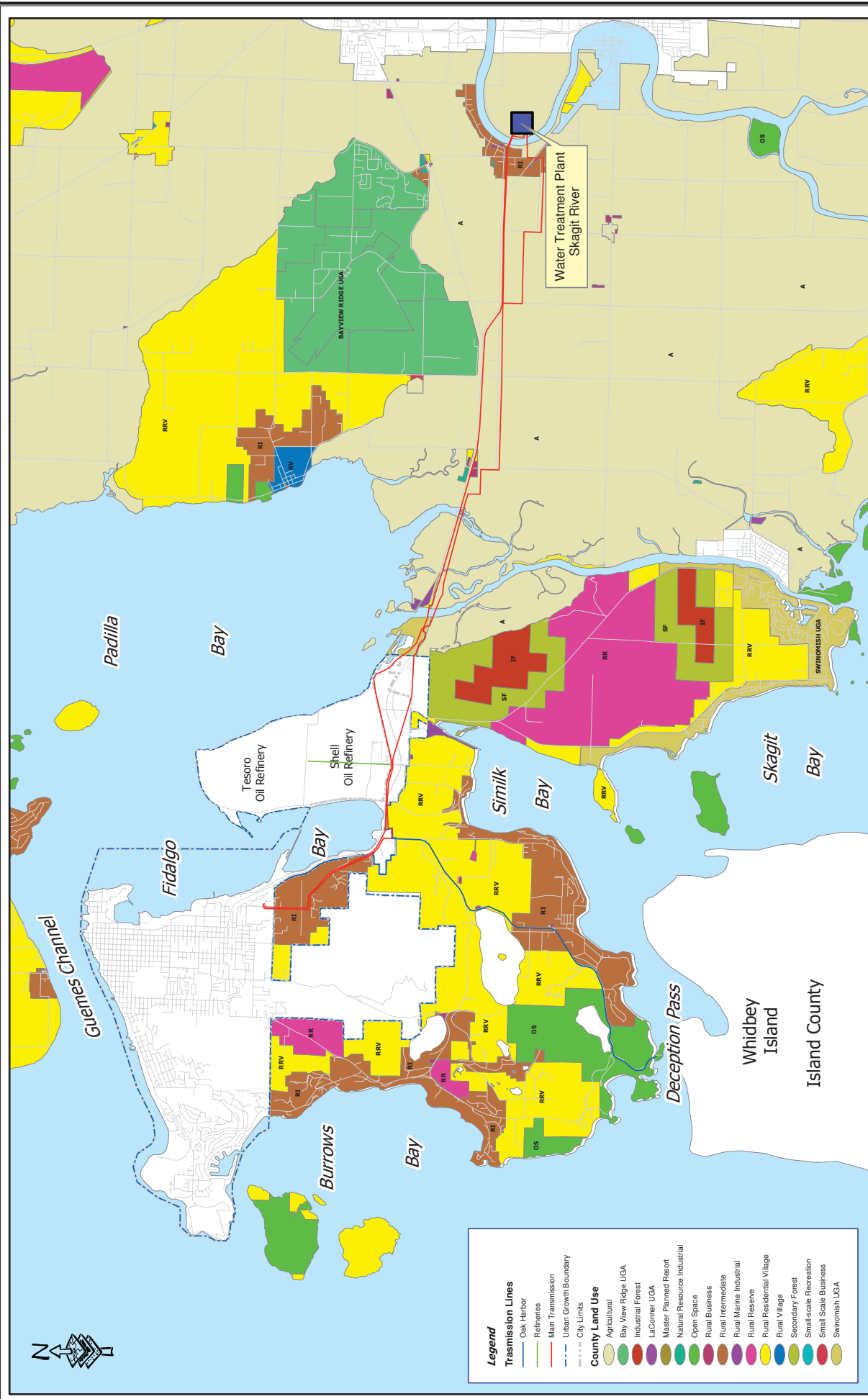


Water System Plan

Figure 3-1 City of Anacortes Zoning

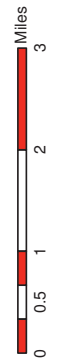


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Water System Plan

Figure 3-2 Skagit County Land Use



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(i) The Utility's Water System Plan shall document a plan to meet urban water service using the design criteria outlined in Section 4 and on Table 4-1 of the Coordinated Water System Plan and in accordance with the schedule required by this Comprehensive Plan.

(b) Rural Water Service shall mean water service provided by an individual well, a stand alone public water system, or an extension of a water system from within an urban growth area that is designed to provide rural water service. The water service shall be designed to meet the rural water supply needs of the rural area users as defined by this Comprehensive Plan, the Coordinated Water System Plan, and the criteria established for the water service in Section 4 and on Table 4-1 Coordinated Water System Plan.

(i) The design shall be guided by the projected rural area water supply and fire protection associated with the requirements of this Comprehensive Plan, and based on the physical or hydraulic capacity requirements as outlined in the Coordinated Water System Plan and the designated water utility's water system plan.

9A-8.3 Interlocal agreements shall be developed with the cities, towns, and water suppliers in the coordination of water service to urban growth areas.

(a) The Skagit County Public Utility District # 1, the cities, the Swinomish Tribal Community, and the County shall meet and enter into an interlocal agreement that provides for an increasing local and/or tribal government role in the provision of public water within their designated jurisdictional urban growth areas.

9A-8.4 Water supply development and service shall be consistent with all related plans, including but not limited to, the Coordinated Water Systems Plan, the Anacortes-Fidalgo Island Coordinated Water System Plan, this Comprehensive Plan, and related purveyor plans as they are developed.

9A-8.5 New capital facilities for water-system compliance with state and federal safe-drinking-water rules, and water treatment standards shall be based on rural area densities and a level of service that is consistent with the existing character of the environment.

9A-8.6 Skagit County shall enforce all county, state and federal laws regarding water, well head protection and the installation of water systems.

9A-8.7 Connection to a public water system should be encouraged in those areas of low flow streams.

9A-8.8 Limitations on uses and densities should be considered within designated low flow stream corridors where necessary to limit individual wells and protect base flows.

9A-8.9 The Coordinated Water Systems Plan should be reviewed to assure consistency with the adopted Comprehensive Plan.

9A -8.10 Necessary expansion of existing public facilities may require urban level of service due to existing development regulations.

9A-8.11 Water conservation measures shall be incorporated into water supply development and service plans as a method of addressing future water needs.

3.4. Coordinated Water System Plan

The Public Water System Coordination Act of 1977 (Chapter 70.116 RCW) requires coordinated planning among public water supply systems within critical water supply service areas. In 1982, the area known as Fidalgo Island was designated a critical water supply service area, and in 1984 the Skagit Board of County Commissioners adopted the first coordinated water system plan titled *Anacortes-Fidalgo Island Coordinated Water System Plan*. After several years, it became apparent to resource managers that many of the water system issues being dealt with locally had implications outside the Fidalgo Island area. Subsequently, in July 1993, the Skagit Board of County Commissioners approved an updated Coordinated Water System that included all of Skagit County. The plan was again updated in 2000.

The purpose of the Coordinated Water System Plan is to provide for maximum integration and coordination of public water system facilities consistent with the protection and enhancement of the public health and well-being. The 2000 Skagit County Coordinated Water System Plan describes strategies intended to manage the County's potable water according to applicable statutes and ordinances. Topic areas covered in the plan include minimum design standards, water utility service areas, utility service review procedures, satellite system management, water demand forecasts, water supply system assessments, regional water supply strategies, and a joint use facilities plan. The Anacortes Water System Plan is consistent with the policies, goals, and requirements set forth in the Coordinated Water System Plan.

3.5. City of Anacortes Municipal Code

Anacortes has water service policies, established by City ordinances, in its municipal code. These policies are contained in *Division II Water Chapter* and *Division III Other Water and Sewer Provisions* of Title 13, Public Services.

The majority of the water system policies are contained in 13.20 Water System under *Division II Water Chapter*. The 13.20 Water System section is broad in focus and covers a variety of topics that include, but are not limited to the following:

- Application for new water service
- Fire protection
- Water shutoff
- Contractor use
- Irrigation water-related issues
- Liability

The remaining sections of the municipal code related to the Water System Plan are narrower in focus. They are summarized below.

Section 13.24 Contamination Protection – Provides provisions to control cross-connections and prevent backflow.

Section 13.32 Services Charges – Includes monthly rates and general facilities charges.

Section 13.44 Low Income Charge Deductions – Provides information related to available reductions in city charges for water, sewer, storm sewer, and sanitation services, to low income and indigent residents of the city who meet specific qualifications. This section covers eligibility, application requirements and penalties for applying for billing deductions under false pretenses.

Section 13.48 Water Meter Installation and General Facilities Charges – Discusses fees associated with installation of general facilities, fire hydrants, water meters and the rights reserved by the City in relation to those installations.

Section 13.52 Discontinuance of Utility Billings – Contains information regarding the criteria under which water service billing can be discontinued, how water service would be disconnected and the fee for reconnection and resumption of utility billing.

The Anacortes Water System Plan is consistent with the policies listed above and ordinances contained in Anacortes' Municipal Code. These sections of the municipal code are contained in Appendix 3-6.